

MEMORANDUM

April 26, 2000

TO: Managing Directors
Home Office Service and Underwriting Department Managers
Zone Officers and Managers
Branch, Regional and Country Managers

FROM: Tom Motamed

SUBJECT: Balanced Scorecard – The Next Step

Now that our 2000 scorecards are in place, I would like to emphasize the importance of relying on them to drive results company wide and explain how we will use the scorecards to guide performance management and compensation decisions.

What the scorecard enables us to do

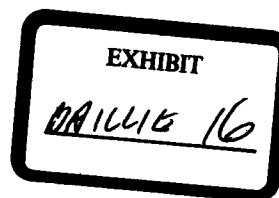
Our past performance management process did a good job of measuring financial results, but it did not adequately acknowledge other areas critical to our success. The balanced scorecard encourages us to look beyond financial measures alone to assess performance. It is also designed to forge a stronger link between corporate goals and individual goals and to build a rational and reliable framework for differentiating allocation of bonus funds. Ultimately, we also expect our use of the scorecard to help align the annual budget planning process with the annual goal-setting process.

How performance will be evaluated

The language used to define levels of performance will change to reflect the new balanced scorecard terms. These are the guidelines for scoring:

Performance Category	Score	Comments
Did not meet/Met some	0	Threshold
Met most	50	Between Threshold & Target
Met all	100	Target
Exceeds some	150	Between Target & Superior
Clearly exceeds	200	Superior

While your scorecard will be updated at the beginning of each new year, you will continue to be reviewed at your anniversary date as in the past. The year-end scorecard results will be used to determine year-end bonuses and to provide a context and direction for the next year's goals.



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Goals

With the balanced scorecard, your personal goals are the business goals of your area, which in turn are linked to Chubb's key business goals in the four major areas that drive overall results. In the past, we have encouraged managers to address personal development as well through a learning goal, and we will continue to do so. Even though there is not a "box" designating a learning goal on the balanced scorecard, each manager should have a plan for development that supports the goals articulated in their scorecard.

Bonuses

Scorecard results will have a significant impact on your bonus.

Scoring the scorecard

Each of the four main performance categories (Financial, Customer, Internal Process and People Management) will be evaluated, using the following approach:

- Score each activity in each of the four main performance categories.
- Average the scores within each performance category. Multiply that number by the weighting established for the area. (e.g., if the Financial category has five areas of measurement, the average score is 90 and the category weighting is 50, multiply 90 by 50 percent to arrive at 45 points).
- Add up the four total scores for the Financial, Customer, Internal Process and People Management performance categories to arrive at overall scorecard results for the year.

The following chart shows how to translate total numerical scores into Chubb performance categories:

Performance Category	DNM/MS	MM	MA	ES	CE
Score	0	50	100	150	200
Range	0-49	50-94	95-135	136-179	180+

Next steps

Since the corporate scorecard provided the basis for all of our scorecards, we will use it to chart our progress against the 2000 plan and to provide updates. The format for these will vary, but I encourage you to share these progress reports with your staff as a way of reinforcing the goals and illustrating how the scorecard works. In the meantime, if you have additional questions about scorecards, please contact the Policy Team member responsible for your area.

Tom

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